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SUBJECT: INCENTIVES FOR PEACE AND COUNTER-TERRORISM GAINS IN
MINDANAO

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¶1. The situation on the ground in Mindanao has improved significantly over the past year or two, prompting us to revise our approach to the incentives to consolidate the peace process. Given the central role of USG assistance in the growth of zones of peace, we no longer believe it is in the U.S. interest to withhold assistance in the absence of a signed peace accord between the Philippine Government and the Moro Islamic Liberation Front (MILF). Instead, we should build on our remarkably successful approach to establishing peace on the ground, while offering political support to the peace negotiations. Our incentive to the MILF is a commitment to redirect a significant portion of our assistance toward a livelihood and reintegration program for former combatants immediately after a peace accord is signed. Negotiators for all the parties believe this will help fast track a formal settlement.

¶2. Our investment in peace has begun to create conditions favorable to peace and development, and unfavorable to terrorists. Actual peace on the ground has gained serious traction and constituents to the point that a return to full-scale fighting is increasingly unlikely. Meanwhile, millions of people in this poorest part of the Philippines have now benefited directly or indirectly from these programs, whether by gaining access to computers and the internet, receiving medical attention (often for the first times in their lives), using new ports and roads, and/or gaining livelihood skills that allowed them to give up lives of insurgency, to cite only a few examples. USAID projects are exceptionally well coordinated with the civil-military and humanitarian operations of Joint Special Operations Task Force-Philippines and other USG activities to form a cohesive network supporting peace and development.

¶3. Our investments in the ongoing peace process in Mindanao are central to achieving USG peace, security, and counter-terrorism objectives in the Southeast Asia region. Notably, the visible presence and clear success of the flagship Growth with Equity in Mindanao ("GEM") initiative demonstrates to the Philippine Government, other donors, and even the private sector that it is possible to safely carry out real development and build sustainable peace in these areas, thus encouraging other actors to become more actively engaged in the region.

¶4. As both Foreign Secretary Alberto Romulo and MILF Vice Chairman Ghazali Jaafar have separately told us recently, the momentum of our effective assistance programs has made a huge difference in pushing people in the right direction - away from violent conflict and terrorism and toward peace and development. They, and their constituents for peace on the ground, want and expect the USG to continue to invest in peace, with or without an accord. The growing zones of peace and the growing U.S. influence - based on our assistance - have a direct impact on the fight against international terrorists in Mindanao and prove that our strategy against terrorism in the Philippines is working. The MILF ejected high value terrorists from Mindanao last year, and is increasingly supportive of ridding Central Mindanao of all JI and ASG terrorists. The MILF now calls itself a partner in peace with the government, and publicly rejects terrorism. We should no longer threaten to withhold assistance in the absence of a formal peace accord, but

instead build on our successful strategy to foster the conditions
for peace.
KENNEY